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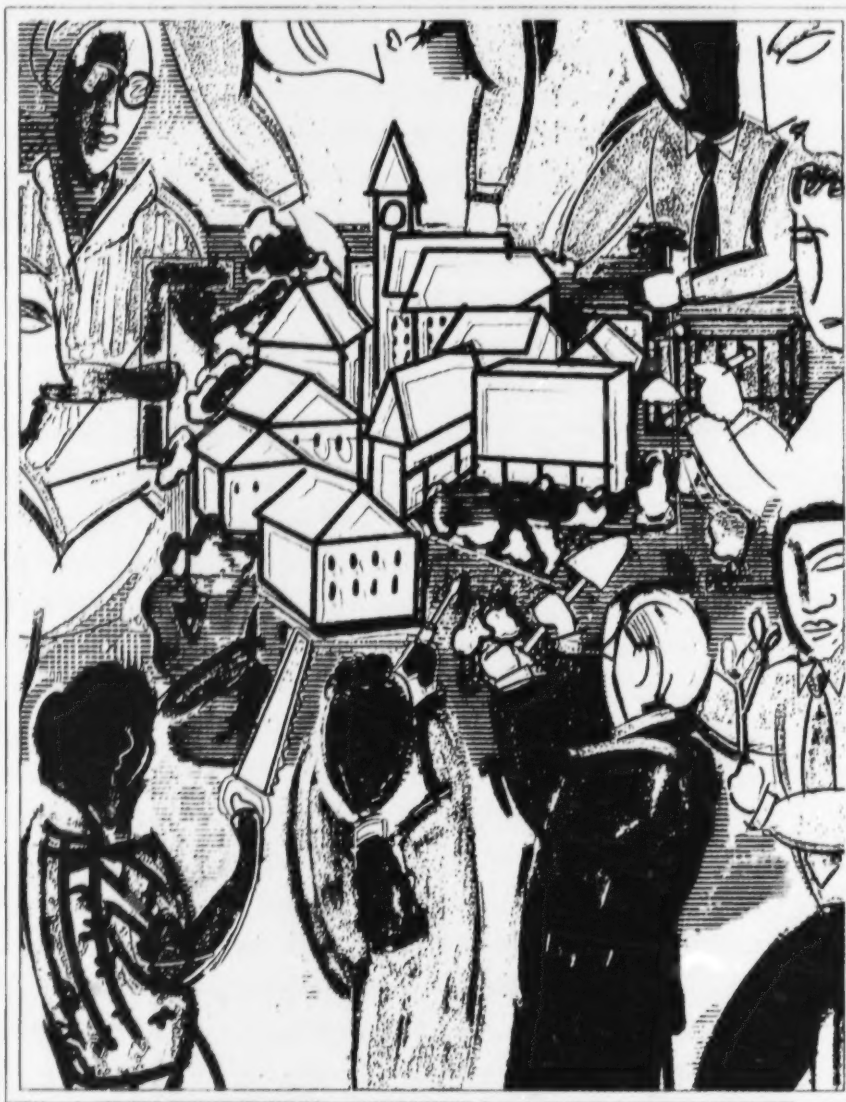
ABSTRACT

In the current tight fiscal environment, it is critical for state and community leaders to think broadly and systematically about how to finance important education, family, and child services, and community development initiatives. This guide presents a conceptual framework for financing child and family services and community building and development. Five major strategies are presented, each including examples drawn from initiatives around the country and highlighting relevant considerations to assist decision makers in similar programs or initiatives. Following introductory remarks, the guide details principles to assist investments in families, children, and youth. The five key strategies then presented are: (1) making better use of existing resources; (2) maximizing federal and state revenue; (3) creating more flexibility in existing categories; (4) building public-private partnerships; and (5) creating new dedicated revenue streams. (Lists additional resources on financing strategies. Contains 29 endnotes.) (KB)

Financing Strategies for Comprehensive Child and Family Initiatives

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CHERYL D. HAYES MARCH 2002

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The FINANCE
PROJECT

Financing Strategies for Comprehensive Child and Family Initiatives



By Cheryl D. Hayes

With assistance from Michele Gilbert

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Preface



Supporting children's growth and development, strengthening families and making neighborhoods safe, economically viable places to live and raise a family are growing challenges in many communities across the country. Since 1996, the implementation of welfare reform has created new demands for job training, child care, and other transitional services among former recipients of income assistance. Higher goals for educational achievement require new investments in teachers, schools, and special programs. Health care costs continue to rise, despite a decade of dramatic financing reforms. And in many towns and cities, renewing the economic and physical assets of the most disadvantaged neighborhoods is a high priority. Yet as the economic prosperity of the late 1990s recedes, public budget surpluses are evaporating and revenue projections are shrinking. As a result, state and local leaders face new pressures in their efforts to finance supports and services and improve the quality of life in their communities.

Finding funding to invest in human capital is almost always a matter of allocating scarce resources among competing priorities. The recent downturn in the U.S. economy and the tragic events of September 11, 2001 have created new demands for public and private sector support to assist individuals and businesses that have been adversely affected. Governments at all



levels, corporations, and private philanthropies face growing needs, but in many cases have fewer available resources to meet them. In today's tight fiscal environment, therefore, it is critical for state and community leaders to think broadly and systematically about how to finance important education, family and children's services, and community development initiatives. This includes thinking about how resources can be generated as well as how they can be used best to support efforts that are effective and sustainable. How revenues are raised and how funds are channeled to schools, human service agencies, and community development initiatives influences what programs and services are available. It determines how they are provided and who benefits from them. Financing also affects how state and local officials define investment and program priorities, and it creates incentives that guide how educators, other service providers, and community volunteers do their jobs. In short, decisions on financing will fundamentally affect how successful and sustainable programs and institutions are in meeting the needs of the people and communities they are in business to serve.

This guide, *Thinking Broadly: Financing Strategies for Comprehensive Child and Family Initiatives*, represents an important addition to The Finance Project's body of published resources on financing education and other supports and services for children, families, and communities. The conceptual framework described

in the following pages has been developed and refined over time, reflecting The Finance Project staff's accumulation of knowledge on effective financing strategies being used across the country. Although The Finance Project has not previously published this comprehensive framework, it has guided our work in conducting research, developing tools, and providing technical assistance. And while the details of the framework will no doubt continue to be refined as systems of education and human service delivery evolve, understanding a wide array of financing options and how they can be effectively aligned with various investments will continue to underpin our work.

This guide is also the first in a new series of Finance Project products. The series will focus on strategies for financing children and family services, and well as community building and development. Each guide or strategy brief, will present options for generating resources or for using resources effectively to fund specific programmatic needs. Each will also illustrate these options with examples drawn from initiatives around the country and highlight relevant considerations to assist decision makers who are weighing the alternatives. It is our hope that this series, in adding to The Finance Project's extensive body of resources to support decision-making that produces and sustains good results for children, families and communities, will provide useful information to policy makers, program developers, community leaders and others concerned with improving the financing of education, family and children's services and community development.

Cheryl D. Hayes
Executive Director

Introduction



Across the country, policymakers, community leaders and program developers are under growing pressure to strengthen families, improve outcomes for children and youth, and make communities safer, better places to live. In response, many states and localities have initiated dramatic changes in the ways programs and services are provided and financed. These changes reflect a growing realization that how funds are channeled to communities significantly affects what supports and services are available, how they are provided, how well they are linked with other resources in the community, and who benefits from them.¹

The bulk of public-sector funding for programs and services for families and children is narrowly defined and supports highly specialized activities and target populations. Likewise, philanthropic and other private initiatives to improve the quality and accessibility of early learning programs, school-age initiatives, health care, family support, and community-building are often narrowly targeted, short-term and uncoordinated. As a consequence, programs and services in most communities are fragmented, inequitable and too often of poor quality.² As pressure mounts for communities to strengthen their commitment to families and meet the demand for services at a reasonable cost, there is also a growing eagerness to find better ways of financing programs and services to make them



sustainable. Moreover, after several years of economic prosperity and public budget surpluses, the current downturn heightens the sense of urgency for improved financing strategies.

Accordingly, this guide is intended to assist policymakers, community leaders and program developers by outlining an array of approaches to finance comprehensive community initiatives. It presents general principles to guide the selection of financing strategies. It also provides considerations to help state and local leaders develop financing plans that closely align with their program goals, available resources and the political and economic environments in

which they work. Although the specific applications may vary somewhat from one policy/program area to another and from one jurisdiction to another, the broad principles and strategies that are outlined in this monograph are relevant to a wide array of initiatives in states and communities nationwide.

As pressure mounts for communities to strengthen their commitment to families and meet the demand for services at a reasonable cost, there is also a growing eagerness to find better ways of financing programs and services to make them sustainable.

Principles to Guide Investments in Families, Children and Youth



In many cases, the outcomes that leaders seek for families and children cannot be achieved without bringing together resources in new ways. As decision makers begin to delineate financing strategies to match their policy, program and systems reform goals, they should be guided by a set of clear principles. Effective financing strategies should:³

BE DRIVEN BY A COMPELLING AND WELL-CONCEIVED POLICY AND PROGRAM AGENDA. There is a growing consensus that helping families gain access to the resources they need usually requires bringing health care, early care and education, youth development, family support, and community-building and development closer together. Yet, too often, the creation of comprehensive, community support systems is impeded by categorical funding streams that provide support only in response to narrowly defined problems and are available only when problems become chronic or

As decision makers begin to delineate financing strategies to match their policy, program and systems reform goals, they should be guided by a set of clear principles.



severe. The most promising comprehensive initiatives are founded on several basic premises:

- ✱ Children and families have multiple needs that are best met in a comprehensive, coordinated and flexible manner.
- ✱ Programs and services should be family-focused and engage parents in the process of designing, governing, and operating them.
- ✱ Investment strategies should balance the emphasis on prevention and remediation in order to minimize problems before they become crises.
- ✱ Family and neighborhood influences shape individual outcomes; therefore, decision-making authority should reside at the community level.
- ✱ Those who serve families with children should be accountable for improving outcomes for their clients and their communities.

ALIGN FINANCING STRATEGIES WITH THE PROGRAMS AND SERVICES THEY ARE INTENDED TO SUPPORT. Be sure that the funding sources and proposed financing strategies fit the initiative's needs and conditions. Short-term, time-limited grants are not a long-term financing solution for on-going programs and services. Highly restricted, categorical funding may not support the coordination, collaboration and administrative capacity needed to create effective comprehensive systems. Using scarce service subsidies to fund facilities may not be the most effective and efficient use of resources, if other funds are available that will make it possible to spread capital costs over time. Ensuring

that financing strategies are closely aligned with the funding purposes is key to making the most of available resources.

TAKE ACCOUNT OF CHANGING FISCAL NEEDS OVER THE LIFE CYCLE OF THE INITIATIVE. Though there is no substitute for good luck and timing, effective financing requires more than just a knack for opportunistically tapping into available funding sources. Decisions about which sources and strategies to pursue should be based on a careful analysis of short- and long-term funding needs over the life cycle of an initiative. For example, if an initiative begins as a targeted demonstration, but over time is expected to go to scale and serve all families in a community, then the costs and expenditures can also be expected to rise. Understanding and projecting cash-flow needs is an important step in the process of designing financing strategies that keep pace with changing fiscal needs.

INCORPORATE MULTIPLE FUNDING SOURCES THAT CUT ACROSS TRADITIONALLY SEPARATE SERVICES AND PROGRAMS. Making the most of available funds requires combining public- and private-sector resources in innovative ways to create a funding portfolio of specialized, flexible, short-term and long-term funding that is focused on the community's needs and priorities for children, youth, and families. Just as an individual's investment portfolio is strongest when it is diversified and derives income and growth from a complementary array of holdings, a community's portfolio should also be diversified and make the best use of a number of relevant funding sources.

MAXIMIZE THE USE OF RESOURCES ALREADY IN THE SYSTEM. One of the most important principles of effective financing is to recognize that the resources necessary to build and sustain community programs may come in a variety of forms and from many sources. Non-monetized resources, including volunteer staff, contributed space, donated equipment and technical support, are just as valuable as funding and can significantly extend the total resources a community has to invest in children, youth and their families. Figuring

out how to attract and make effective use of these resources is critically important.

Just as important is making use of dollars that are already being expended on family and children's services. This may require the difficult and politically sensitive job of reallocating or redirecting spending from less effective to more effective programs and services, from higher cost to lower cost approaches, or from lower priority investments to higher priority ones. Developing comprehensive community support systems for families and children often creates opportunities to shift spending from specialized treatment to more prevention-oriented services and to achieve economies of scale in case management, administration and outreach. In some cases, community collaboratives are able to effect these changes themselves. In others, they are able to influence the way outside agencies and organizations allocate resources by creating strong incentives for new investment strategies. This emphasis on making the most of existing resources partly reflects the fact that there is not enough funding to serve all children and youth intensively. However, it also reflects the political reality that it is sometimes easier to justify increased appropriations when current dollars are being spent most efficiently.



USE NEW FUNDING TO LEVERAGE OTHER PUBLIC AND PRIVATE SECTOR RESOURCES. Many large federal funding streams are designed to require matching funds from other sources. States and local communities can significantly increase their resources by developing new dedicated revenues to match and draw down available federal or state dollars and private funds. The underlying concept is that shared funding and a mutual commitment among contributing partners (government at all levels and the private sector) will help ensure the success and sustainability of promising initiatives. Pooling dollars from several sources and then distributing them through a collaborative process that involves an array of community leaders and stakeholders is an increasingly effective way of building a broad base of support for community programs and services as well as building a diversified portfolio.

CONTRIBUTE TO A POSITIVE RETURN-ON-INVESTMENT. In business, investors expect to receive a positive return on their investment. In human services, the concept of return-on-investment is just beginning to take hold. Increasingly, investors—often taxpayers—want assurance that their investments in children and families will pay off in meaningful and measurable ways. This means not only by making services available, but also improving results among those who receive them. Just like business investors, those investing in human services want to know and be able to measure the return on their investment. They want to see healthier children, stronger families and safer communities. Financing needs to be aligned with these kinds of results and investment opportunities need to be evaluated in terms of their potential to reduce the cost of bad results in the form of greater costs for remediation, incarceration and dependency, and deliver attractive returns.

Strategies for Financing Programs and Services for Children, Youth and Families



Five broad categories of financing strategies are available to support programs and services for children, youth and families. These include a range of approaches, such as making better use of funds that organizations and agencies already control; gaining access to more resources that are in the system but have not been tapped; creating new partnerships between public and private-sector organizations and funding sources; and developing new dedicated revenue sources. Decisions about which strategy or combination of strategies is most appropriate will depend on the nature and scope of the initiative and the economic and political environment in which it operates. Every good financing plan begins by answering the fundamental question: "Financing for what?" and then aligns specific funding sources and financing strategies with the program components that are to be financed and the projected fiscal requirements. The

following table provides a summary of strategies discussed in this guide showing decision makers what strategies are appropriate for use by state and local government leaders as well as community-based programs or coalitions.

Every good financing plan begins by answering the fundamental question: "Financing for what?" and then aligns specific funding sources and financing strategies with the program components that are to be financed and the projected fiscal requirements.

Five Key Strategies for Financing Initiatives For State, Local and

	STRATEGY 1 Making Better Use of Existing Resources	STRATEGY 2 Maximizing Federal and State Revenue	STRATEGY 3 Creating More Flexibility in Existing Categories
Strategies that can be deployed at the state or local government level	• Redeployment—shifting funding from higher cost to lower-cost programs and services. • Operating more efficiently—cutting costs that can be reinvested in expanding services. • Reinvestment—allocating funds that can be "saved" through redeployment, refinancing, or reductions in spending to new or alternative supports and services.	• Leveraging—maximizing federal revenue by taking advantage of programs that provide funding contingent on state, local, and private funding. • Refinancing—utilizing other sources of money to pay for activities already provided, thereby freeing up your own money for a new use. • Administrative claiming—using available child welfare and Medicaid funds to cover an array of administrative costs, based on local match funds.	• Pooling—combining a portion of funds from several agencies and programs into a single unified funding stream. • Coordination—aligning categorical funding from a number of agencies and funding streams to support community and program-level initiatives. • Devolution—delegating the authority for the allocation of funds from higher to lower levels of authority. • Decategorization—removing narrow eligibility requirements and rules governing allocations from existing funding streams.
Strategies that can be used by community-based programs and/or coalitions	• Redeployment—shifting funding from higher cost to lower-cost programs and services. • Operating more efficiently—cutting costs by doing the work more efficiently. • Reinvestment—allocating funds that can be "saved" through redeployment or reductions in spending to new or alternative supports and services.	• Grant writing to access public and private sector funds—applying for discretionary grants from public agencies, private foundations, corporations, and other community organizations. • Leveraging—maximizing federal revenue by taking advantage of programs that provide funding contingent on state, local, and private funding. • Refinancing—utilizing other sources of money to pay for activities already provided, thereby freeing up your own money for a new use. • Administrative claiming—using available child welfare and Medicaid funds to cover an array of administrative costs, based on local match funds.	• Coordination—aligning categorical funding from a number of agencies and funding streams to support community and program-level initiatives.

Comprehensive Child and Family Collaborative Decision Makers

STRATEGY 4

Building Public-Private Partnerships

- **Leveraging**—creating partnerships that expand the fiscal base for family and children's services.
- **Leadership**—building new, shared public-private leadership for investments in children and families.
- **Technical assistance**—creating opportunities for sharing knowledge, skills, and technical resources needed to create and sustain systems of supports and services.

STRATEGY 5

Creating New Dedicated Revenue Streams

- **Charging fees for services**—charging fees to service users to help cover the program costs.
- **Special taxing districts**—creating independent units of government with taxing authority dedicated to a specific purpose.
- **Special tax levies**—adding on to existing taxes, with the additional revenues earmarked for specific programs or services.
- **Guaranteed expenditure minimums**—setting a floor below which spending for specified programs or services cannot fall.
- **Children's trust funds**—establishing a separate, designated account in the public treasury that has special rules for managing the funds allocated to it.
- **Fees and narrowly based taxes**—generating revenue from fees or taxes on specific segments of economic activity, usually the use of a service or good.
- **Lotteries and gaming**—using lottery and gaming proceeds to support programs and initiatives for children and their families.
- **Income tax check-offs**—allowing taxpayers to designate a portion of their tax liability or to donate a part of their refund to specific services or programs.

- **Leveraging**—creating partnerships that expand the fiscal base for family and children's services.
- **Leadership**—building new, shared public-private leadership for investments in children and families.
- **Technical assistance**—creating opportunities for sharing knowledge, skills, and technical resources needed to create and sustain systems of supports and services.

- **Fundraising and solicitation**—organizing community fundraising campaigns to generate support.
- **Charging fees for services**—Charging fees to service users to help cover program costs.
- **Generating unrelated business income**—creating revenue by pursuing an activity not related to the mission of the organization or program.

Strategy 1: Making Better Use of Existing Resources

Among the most ambitious efforts to improve financing and make resources go further are those that reshape the way dollars already in the system are spent, especially funds that benefit families served by several agencies and programs. Vulnerable families and those at highest risk typically have multiple needs and receive services from more than one agency or program. Efforts to make better use of existing resources frequently focus on coordinating and streamlining these services to reduce administrative costs; shifting funding from more restrictive and costly residential programs to less restrictive and less costly, community-based services; and creating greater efficiency by making better use of non-monetized resources and creating greater economies of scale.

REDEPLOYMENT. Redeployment is a strategy for shifting funding from higher cost to lower cost programs and services. It favors and reinforces community-oriented, preventive and less categorical approaches. The best examples of redeployment are in the child welfare field, where several agencies operating independently spend significant sums on families who receive intensive supports and services. By redirecting funding already being used to serve children in high-cost settings (e.g., out-of-state residential facilities), state and local leaders have been able to gain savings and allocate those funds to expand early intervention and more community-based, prevention programs and services.

REDEPLOYING FUNDS SPENT ON OUT-OF-HOME PLACEMENTS IN TENNESSEE

In Tennessee, state funds supporting expensive out-of-home care for children have been redeployed to support intensive family preservation and coordinated community services. In 1988, the Legislature examined the large and growing sums spent on out-of-home care and decided to invest in intensive family preservation services. These services were funded jointly by Tennessee's child welfare, mental health and juvenile justice agencies, and uniform eligibility and service standards were established across these systems. Recognizing the importance of collaboration, the Department of Finance and Administration required state agencies to pool all funds previously spent on out-of-home care into one statewide account. The pooled funds were then used to redesign a statewide system of Community Health Agencies (CHAs). The CHAs assess the needs of children at risk of out-of-home placement and put in place services that might prevent placement. The pooled out-of-home care dollars help to finance the service plans.

Contact: Lisa Faehl, Department of Children's Services, (615) 741.8425.

OPERATING MORE EFFICIENTLY. By creating greater efficiency in operations, many agencies and programs are able to cut costs that can then be reinvested in more intensive services or in expanding the population served. Among the most common approaches are:

- * co-locating and connecting independent programs and services;
- * creating economies of scale through purchasing pools (e.g., for supplies, administrative services, employee benefits and professional training); and
- * implementing more streamlined administrative and management processes.

Turf battles, harmful competition among programs and services, and duplication of effort can hurt the short-term and long-term success of community initiatives. Accordingly, one of the underlying tenets of comprehensive community support systems is the need to coordinate and connect resources available in

CO-LOCATING SERVICES TO SERVE FAMILIES MORE EFFECTIVELY AND EFFICIENTLY

The Prince Hall Family Support Center in St. Louis, Missouri, is staffed by reasigned staff from five state agencies – Child Support Enforcement, Family Services, Office of Youth Development, Family Court and Division of Aging – and 14 private agencies housed together in a former hospital. Locating this mix of state and private-sector organizations in one building makes it possible for families to obtain a wide variety of health and human services at one location. The center has developed a uniform intake system and agencies housed in the center work together to ensure that the needs of families are addressed. Co-locating not only allows the many agencies in the facility to work together more effectively, but also helps them operate more efficiently by avoiding duplication of services, sharing the costs of equipment and supplies and conducting joint training.

Contact: Prince Hall Administrative Division, (314) 877.2000.

alternative supports and services (e.g., as case loads decline, capturing the savings from spending on remediation and reinvesting in prevention). It is based on the concept that it is less costly to invest in producing good results among children and youth than in treating the consequences of bad results.

Communities can avoid the high costs of bad results by investing in supports and services that prevent problems and foster desired outcomes, thereby reducing the need for expensive remediation. For example, early learning programs that promote school readiness can reduce the need for remedial services and special education later for some

children. When savings are realized, they can be reinvested in prevention and early intervention to enhance a community's capacity to produce desired results, which in turn, further reduces the need for costly treatment and yields additional savings. Keys to the success of reinvestment strategies include:⁵

- * programs and services that can improve the well-

Among the most ambitious efforts to improve financing and make resources go further are those that reshape the way dollars already in the system are spent.

communities in order to save time and effort that are often wasted when many small organizations and groups fail to work together.⁴

REINVESTMENT. Reinvestment is a strategy for allocating funds that can be "saved" through redeployment, refinancing or reductions in spending to new or

being of children and youth by reducing or avoiding the high costs of remediation;

- * evidence of program and service effectiveness and the ability to produce downstream savings;
- * partners who have the authority and resources to shift investments and commit state agencies, county agencies and community nonprofit organizations to a reinvestment deal; and
- * a reinvestment deal that specifies the proposed reinvestment—agreement on how much will be spent, from what sources, for which programs and services, over what period of time, with what method of tracking cost avoidance and cost savings, and how the realized savings will be allocated among the partners (e.g., state agencies and community collaboratives).

The principal challenge in implementing reinvestment strategies is demonstrating which changes in programming and other activities can save money. The cost of remediating problems for children, youth and families takes up a significant and increasing share of federal, state and local budgets.⁶ Unfortunately, however, there is little firm evidence of the cost savings



that can be attributed directly to most community initiatives. In part, this evidence is lacking because the methods for calculating the costs of bad results are relatively undeveloped. In part, it is because it is difficult to control complex, comprehensive community-based interventions in order to isolate and document cost-benefit. Most importantly, however, it is because reinvestment does not mean getting something for nothing.⁷ Prevention programs also have costs. And

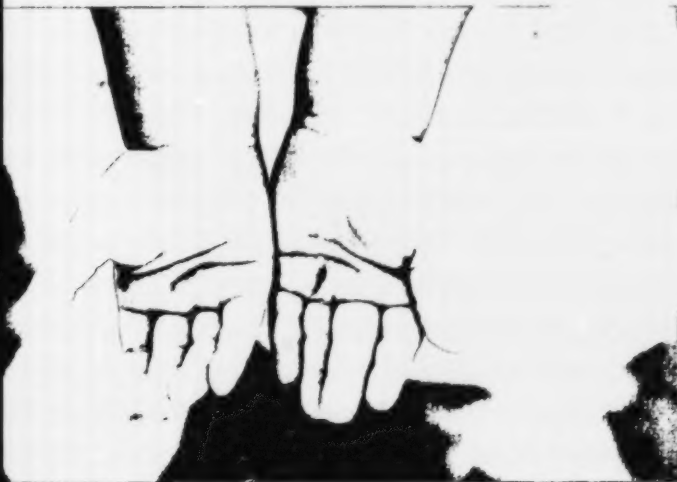
LOS ANGELES UNIFIED SCHOOL DISTRICT—REINVESTING ITS OWN GENERAL FUNDS

For years, the Los Angeles Unified School District (LAUSD) spent its general funds on mandated mental health services to children. In 1992, the Los Angeles (LA) County Department of Mental Health approached LAUSD about partnering to increase services to the community. By becoming a contract agency through a partnership with the LA County Department of Mental Health, LAUSD became a certified Medicaid provider. The school district can now claim Medicaid reimbursement, as the state general funds match, for services to children it previously funded from its general funds. In turn, LAUSD now uses the reimbursement fund dollars to extend services to students who are not Medicaid-eligible. The net result: a win-win situation for both organizations, with expanded resources to provide a larger number of children with increased services. Officials of the school system point out that Medicaid has improved the overall quality of services, through its stringent quality assurance standards, exacting clinical expectations and requirement for clear therapeutic objectives. Last year, some \$2 million in general fund expenditures by the LAUSD leveraged an additional \$850,000 in EPSDT Medicaid reimbursements, serving a total of 10,000 children. A hallmark of this effort is that LAUSD has maintained or increased its level of general fund spending. Such "maintenance of effort" is a key element in ensuring that a larger pool of children is served or that additional and better services are delivered.

Contact: Marleen Wong, Los Angeles Unified School District, (818) 997.2640.

the costs and the savings show up in different places and different fiscal time periods.

In the end, decision makers must weigh the predictable costs of treating problems against the hoped for but less predictable costs and benefits of trying to prevent problems. The success of designing and implementing reinvestment strategies depends on partners who are willing and able to make a deal and a convincing case (based on imperfect information) that a shift in investments can deliver actual expenditures below the current baseline.⁸



CONSIDERATION: Sometimes it takes money to make money. Strategies to make better use of existing resources often require an initial investment of new funds to retool management and administrative systems; support better coordination; or create prevention programs and services. Ultimately, these investments can lead to reduced spending on more intensive and expensive treatment programs. They are also likely to reduce duplicative case management, outreach and administrative capacities among programs and agencies serving the same children, youth and families.

Strategy 2: Maximizing Federal and State Revenue



Approximately 60 federal funding streams are available to support early childhood programs and services.⁹ More than 100 federal funding streams support programs and services for school-age children and their families.¹⁰ These programs are of several basic types:

- ✧ *Entitlement programs*—open-ended, uncapped appropriations that provide funding to serve all children and families that meet the programs' eligibility criteria (e.g., Title IX-Medicaid and Title IV-E-Child Welfare).
- ✧ *Formula (or block) grants*—capped appropriations that provide a fixed amount of funding to states or localities based on established formulas, which vary from grant to grant and require a state match (e.g., the Child Care Development Block Grant and Temporary Assistance for Needy Families). The formulas are usually tied to population characteristics, such as income status, geographic residence or personal characteristics like disabilities.

Maximizing federal and state funds is a financing strategy that enables community leaders to identify relevant public funding sources and draw down the maximum amount that can be obtained from each source.

KANSAS CITY, MISSOURI—BEFORE- AND AFTER-SCHOOL CHILD CARE PROGRAM

In Kansas City, Missouri, community leaders looked for ways to develop integrated funding streams to support out-of-school time programs throughout the school district. Since the out-of-school time program primarily serves age-eligible children and Missouri school sites are exempt from licensing requirements, accessing child care subsidy funds seemed to be a logical option for program developers. However, the challenge of individually qualifying each student in the program for a subsidy was daunting.

In response, community leaders examined eligibility for school meals and child care subsidies and found that the two programs' requirements were almost identical (all those eligible for free meals were also eligible for child care subsidies). Community leaders then began discussions with state agency officials and the district food director to streamline the application process for families eligible for both programs. After much negotiation, state agency representatives agreed to attach a one-page waiver of confidentiality agreement to the National School Lunch Program application. Under this system, once a child is qualified for free lunch, they are automatically qualified for a child care subsidy (as long as their parents meet certain work requirements). The school food authority forwards information on children's free and reduced-price meal eligibility to the Local Investment Commission (LINC), a citizen commission that works toward improving coordination of human services at the neighborhood level. LINC then cross-references before- and after-school child care program attendance data with free meal eligibility information and creates an invoice for subsidy payments for all eligible children who attended before- and after-school programs in the school district.

In its second year of operation, the before- and after-school child care program operates in 47 of the 53 elementary schools in the district and provides before- and after-school care during the school year. The program serves between 6,000 and 6,500 children, primarily between the ages of 5 and 9, although a small number of schools also serve 3- and 4-year-olds in a preschool program and/or children up to the age of 13 in K-8 schools. To finance a majority of the program, LINC draws down \$4 million in child care subsidies, which are funded at the state level with TANF dollars.

Contact: Gayle A. Hobbs, LINC, (816) 889.5050.

- * *Discretionary grants*—capped appropriations for specific project grants awarded on the basis of competitive applications (e.g., Head Start). Depending on the provisions of the program, applicants may be a state or local, public or private entity. A growing number of discretionary grant programs require collaborative efforts by a consortium of community agencies and organizations.
- * *Direct payments*—capped appropriations that support direct financial assistance to individual beneficiaries who satisfy federal eligibility requirements (e.g., Supplemental Security Income, Section 8 Housing Assistance and Refugee and Entrant Assistance). These programs may be administered by an intermediate state agency.

Maximizing federal and state funds is a financing strategy that enables community leaders to identify relevant public funding sources and draw down the maximum amount that can be obtained from each source. These efforts can substantially expand the funding base for programs, provide stable revenues and free up local funds for other purposes. Some approaches are more relevant at the program level where providers match the needs of families and children with helping resources. Other strategies are best accomplished at the state level where program funding is administered.

GRANT WRITING TO ACCESS PUBLIC- AND PRIVATE-SECTOR FUNDS. Discretionary grants are available from public agencies, private foundations, corporations and other

ACCESSING TANF TO FUND AFTER-SCHOOL PROGRAMS IN ILLINOIS

Illinois uses \$18.5 million in TANF and MOE funds to support Teen REACH, a youth development model of pregnancy prevention. The goal of the program is to provide alternatives to high-risk behaviors through structured activities during the out-of-school time hours. The core elements of the program include academic assistance, recreation, mentoring and life skills. Contracts for start up and operations are granted to a range of providers, including school districts, Boys and Girls Clubs and other community providers. The program is in its second year, with over 120 contractors statewide. Services are targeted to high-risk families, as defined by factors such as parental employment status and receipt of TANF assistance. In the first year, the program served children ages 10 through 17, but recently expanded to include younger children.

Contact: Doris Garrett, Illinois Department of Human Services, (217) 557.2109.

community organizations to support family and children's services. Applying for discretionary grants is a useful strategy for local program developers who need short-term funding for pilot programs or experimental program components and for research and evaluation to support the initiative. In order to take advantage of available discretionary grants, program developers should frame their program or initiative to respond to funders' program priorities and demonstrate the fit between the goals of the program and the funders' objectives. Grant proposals should respond to the structure and substantive focus of the request for proposals and should make a strong and compelling case for support, including the statement of need regarding why the project funding is necessary and the project description that details how proposed plans will be implemented and how funds will be used. In addition, program developers should seek productive opportunities to partner with other organizations and programs in order to increase their eligibility for discretionary funding and broaden the base of support for their initiatives.

LEVERAGING. Leveraging is a strategy for maximizing federal revenue by taking advantage of programs that provide funding contingent on state, local or private spending. In order to leverage entitlement and block grant dollars, it is necessary to demonstrate public

expenditures (either state or local) on allowable activities as defined in the federal statutes, using the new funding as a match to draw down additional federal funding. This may entail designating current state or local spending as eligible in order to draw down new federal matching funds. It may also involve spending new state or local dollars to qualify for the maximum share of federal funding. Local funds can be used to leverage block grant

monies when the state does not contribute enough "match" (maintenance of effort) to secure the full amount permitted in the allocation formula. By spending additional amounts—or designating existing spending not previously claimed under the state match—counties and other local jurisdictions can leverage new federal dollars. To actually receive these new funds, however, the local entities must obtain commitments from the state, since in most cases, the state will be the recipient of these dollars."





In order to effectively leverage federal funding, it is important to know:¹²

- * what federal programs require matching;
- * what qualifies as eligible expenditures under these programs;
- * the types of services that state and local revenues are supporting;
- * whether all eligible expenditures are being submitted for matching; and
- * for federal block grants, whether the maximum amount of funding is being drawn down by the state or whether an additional match is required to do so.

One particularly important source of federal funds that present potentially useful leveraging opportunities is Temporary Assistance to Needy Families (TANF). Federal law, however, imposes a number of specific conditions on the use of TANF funds. Most importantly, recipients of TANF-funded supports and services are subject to federal requirements concerning work participation, time-limited benefits and child support cooperation. One concern that local leaders may have in tapping TANF dollars to support programs for children and youth is whether the service is considered "assistance" and, consequently, whether recipients will be subject to such requirements and whether receiving

these services will count against their eligibility for time-limited income assistance. A second important issue is whether the service is supported by federal TANF dollars or by maintenance of effort (MOE) dollars. MOE funds allocated to separate programs are not subject to most TANF requirements. Thus, if MOE dollars are used to support programs and services for children and youth, federal requirements based on "assistance" are not applicable.

Local program administrators must work closely with the state administrators of the TANF program to productively explore opportunities to tap TANF funds. State officials have the final say in allocating TANF funds. To effectively leverage TANF funding, it is necessary to know:¹³

- * how state and county agency administrators regard creative uses of TANF for early childhood supports and services, school-age programs and youth development initiatives;
- * what is in the state TANF plan and whether it would require amendment to cover the proposed uses;
- * how TANF funding allocations are made;
- * how TANF funds are currently spent;
- * whether the maximum amount of federal funding is being drawn down or whether an additional match is required to do so; and
- * how the child care payment system works.

REFINANCING. Refinancing involves using someone else's money to pay for services already provided, thereby freeing up your own money for a new use.¹⁴ It is a specialized form of leveraging that expands the funding base, usually by substituting federal and state entitlement funding for other local, public and private discretionary funding. Because entitlement funds are open-ended and must be made available to serve all children and families that meet the programs' eligibility criteria, they are a highly stable and predictable funding source. The remaining federal entitlement programs are:

- * *Medicaid*—supports health care for low-income children and adults, as well as administrative costs associated with providing these services.
- * *Title IV-E*—supports children in foster care or at risk of being removed from their homes and pays for some supports and services to vulnerable families to prevent out-of-home placement and the administrative costs associated with the delivery of child welfare and family preservation services.
- * *Federal Child and Adult Food Care Program*—provides reimbursement for meals and snacks served to eligible low-income children in child care programs, including after-school programs.

REFINANCING MEDICAL-RELATED SERVICES PROVIDED IN SCHOOLS WITH MEDICAID DOLLARS

In Vermont, two strategies have been implemented that provide Medicaid reimbursements to schools for health related activities. First, schools are reimbursed for performing outreach activities to encourage families to receive well check-ups. Schools that have the capacity to provide on-site medical services are also reimbursed for providing comprehensive preventive health services for Medicaid-enrolled students. These reimbursements are made through Medicaid's Early Periodic Screening and Diagnosis Treatment (EPSDT) program. Vermont's program, the EPSDT School-Based Health Access Program, generated \$2 million in fiscal year 2000. Individual districts received amounts ranging from approximately \$5,000 to \$100,000, depending on the size of the district and the proportion of Medicaid-eligible students. Although there is no federal mandate that these dollars be reinvested in health services, Vermont requires each participating district to have a local committee that creates a plan for investing the dollars in health promotion and prevention.

Contact: Gary Schaedel, Vermont School-Based Health Centers, (802) 241.2234.

Refinancing that uses entitlement funding has significant potential for expanding community funding bases for family and children's services because these funds are available to subsidize the costs of serving all eligible children, youth and family members. The principal challenge is keeping the freed-up money in the child and family service system. There is a great temptation for state and local officials to redirect the freed-up money to other purposes.

When this happens, the child and family service system is worse off and has nothing to show for its efforts. Therefore, the best way to retain the funding is to:

- * increase the percent of children who are eligible for Medicaid and Title IV-E benefits; and
- * broaden the scope of claiming without overstepping the bounds of allowable activities.¹⁵

ADMINISTRATIVE CLAIMING. Administrative claiming is a specialized form of refinancing that makes use of available Title IV-E (child welfare) and Title XIX (Medicaid) administrative funds to cover case management, outreach, eligibility determination, program planning and an array of other administrative costs, based on local match funding. This strategy entails accounting for local spending for activities duly allowable under a federally approved plan and then claiming reimbursement. Once received, these funds become state agency money that can be spent for any state-approved purpose and are free of any federal restriction whatsoever. Based on an agreement between the state agency and local communities, the federal funds can be rechanneled to the community for reinvestment in community programs for children, youth and their families. By designating a community collaborative as the lead agency for this financing arrangement, the financing strategy becomes a vehicle for not only bringing new revenue to the community for activities it was conducting anyway, but also for strengthening community collaboration and local governance.¹⁶

MINNESOTA'S ADMINISTRATIVE CLAIMING STRATEGY

In 1995, Minnesota piloted a project to increase Medicaid reimbursements to support new, locally planned, interagency collaborations called Family Services and Children's Mental Health Collaboratives. Teams of local and state officials, legislators, non profits and foundations voluntarily establish these new entities. The incentive for local education and social services leaders to enter into these new planning and programming alliances was that new state grants would flow only to those communities that set up these collaboratives. Funding for these new state grants was provided through increased federal Medicaid payments for services delivered in local Minnesota communities.

The state created a streamlined process for local public agencies to file administrative claims for case coordination and outreach services delivered to Medicaid-eligible children. These new claims generate substantial additional federal revenue. Further, since Minnesota's own state and local non-Medicaid funds have already paid the cost of the services for which the federal matching payment is made, there is no additional cost to the state. Minnesota expanded its claiming capability to include not only public school systems, but public health and corrections programs as well.

Instead of channeling federal Medicaid funds directly back to the school systems or local communities that generated them, the state pools all matching funds in a single state fund. It then allocates monies to local communities that have developed a Family Services and Children's Mental Health Collaborative. Funds must be used to expand early intervention and prevention services for children and families. They are available to any community in the state that creates a collaborative and provides documentation to support ongoing federal claims.

Contact: Jamie Halpern, Hennepin County Human Services Administration, (612) 348.9259.

CONSIDERATIONS:

- ✱ To the extent that local public expenditures qualify for federal matching funds or can help build the infrastructure to qualify other public spending for federal matching, the total amount of new funding available for child and youth programs can increase substantially. One of the great strengths of maximization strategies is that they can potentially create a sustainable funding base. Even if they draw down only small amounts of money in a constant and enduring way, they can provide a stable and reliable base of funding. Once started, the flow of funds continues.
- ✱ Another strength of maximization strategies is that they are not confined to a single agency or program. They can be implemented horizontally across several programs and services, including child welfare, juvenile justice, homeless services and domestic violence, to identify local spending that qualifies for federal reimbursement.
- ✱ A benefit of leveraging federal funding is that the new revenues actually increase opportunities for additional leveraging. The new federal dollars, in effect, replace a share of state and local spending to support programs and services. These resources are then freed up for other purposes. To the extent that they are used for activities that also qualify for federal reimbursement, they can leverage additional federal revenues.¹⁷
- ✱ Many discretionary or program grants provided by government and private funders require matching funds. When applying for these grants, program leaders need to be aware of the matching funds requirements and rules.
- ✱ Typically, federal funding achieved through reinvestment and administrative claiming flows to the state agencies that administer programs and allocate funding to local communities. Therefore, firm agreements between the state agency and the local governance entity are necessary to ensure the

transfer of additional revenues to the communities that initiated the claims.

- ✱ Local leaders do not have the authority to directly access many federal funding sources because these funds flow through state government agencies and in some cases are co-mingled with state dollars. To ensure that federal and state funds are allocated in ways that respond to community needs and priorities, local leaders need to develop strong working relationships with state officials. They are often more likely to be successful in their efforts to influence allocations if they approach state officials as a coalition and work with other programs and initiatives to demonstrate the broad applicability and benefit of the approaches they advocate.



SACRAMENTO START INFLUENCES THE ALLOCATION OF PUBLIC DOLLARS

After a year in operation, the leaders of Sacramento START, a city-wide after-school program, wanted to bring the program to scale. However, to successfully expand, they needed a stable funding source. START leaders teamed up with leaders of Los Angeles' after-school program, LA's BEST, in order to bring attention to the issue. Together, they hired a lobbyist with expertise and political contacts to navigate the political system and convinced a member of the state assembly to sponsor legislation which would fund after-school initiatives throughout the state. The legislation gained support for numerous reasons. First, it followed on the heels of welfare reform. Because of this, both political parties supported the bill as a means of assisting children and keeping them safe, while reinforcing the importance of parents' work. In addition, both START and LA's BEST contacted and convinced influential public and private-sector leaders to support the bill.

In 1997, START's vision became a reality when new legislation was signed into law, allocating a total of \$3.5 million for five after-school programs throughout the state. START received \$947,500, which fully funded the program for that year. The next year, building on the legislation, California implemented the After School and Safe Neighborhood Partnership grant program. START applied and received about \$950,000, which required a 50 percent match. The match came from both cash and in-kind resources in the city, county, school districts and community.

Contact: Pam Haynes, Sacramento START, (916) 277.6195.

Strategy 3: Creating More Flexibility in Existing Categorical Funding

Most funding streams are categorical. They tend to support programs and services with narrowly defined purposes that provide specific types of assistance to special categories of children and families deemed eligible under law. The result at the community level has been a plethora of programs and services that are disconnected and duplicative, and that often make it difficult to coordinate and provide the customized help that many children, youth and families require. Strategies to create more flexible funding can be key to developing comprehensive community support systems and paying for an array of needed services when one or another funding stream cannot do the job alone. The common objective of these strategies is to enable community



leaders to provide an array of coordinated, community-based supports and services.

POOLING. Pooling is a strategy for combining a portion of funds from several agencies and programs into a single, unified funding stream. Typically, it is accomplished at the state level. For example, state officials may combine a portion of funds from federal block grants and other state programs into block grants to counties and other local entities. Similarly, they may create trust funds to receive monies from categorical programs that are then able to flexibly fund community programs and services according to community

Strategies to create more flexible funding can be key to developing comprehensive community support systems and paying for an array of needed services when one funding stream cannot do the job alone.

POOLING FUNDS TO MORE EFFECTIVELY SERVE CHILDREN AND FAMILIES

The Franklin County, Ohio, KIDS (Kids in Different Systems) project provides individualized child- and family-focused, community-based services for children involved in two or more systems who are at risk of out-of-home placement or those moving from a restrictive setting to a family or family-like setting. The county created a pool of county-level funds from five agencies, including child welfare; education; juvenile justice; the Alcohol, Drug Addiction and Mental Health Board; and the Mental Retardation/Developmental Disabilities Board. The county contracts with a group of providers that must provide services for the children; however, the "bundled" funds do not restrict them to using only the prescribed services. The providers can use the bundled funds flexibly, across line items and individual budgets. KIDS pooled approximately \$1.4 million in fiscal year 2000. Also, KIDS uses the pooled funds as the local match to claim matching entitlement dollars for allowable activities.

Contact: Anne Santilli, KIDS, (614) 275.2511.

needs. Among the significant advantages of pooling is that local grantees have the authority to set their own priorities for the allocation of their share of funding. In addition to covering direct services, pooled dollars can often be used to fund activities such as collaboration, coordination and program planning, which cannot be funded directly from most federal programs. Moreover, the reporting and paperwork requirements for local grantees may be reduced because they receive funding from a single state source.¹⁸

COORDINATION. In contrast to pooling, which takes place at the state level, coordination is a community- and program-level strategy for aligning categorical funding from a number of agencies and funding streams to support integrated and coordinated service delivery. Categorical funding streams can be tapped and used in combination to support individual components of comprehensive initiatives. If a community governance entity and individual program managers can develop a comprehensive blueprint for

supports and services that are needed in their community, then they can usually marshal funding from a number of sources—federal, state and local—and bundle them.

Critical to the success of this approach is a good plan, a good management information system, and a good cost accounting system for tracking expenditures by funding source in order to properly allocate and

COORDINATING FUNDS TO SUPPORT EARLY CHILDHOOD EDUCATION

With welfare reform putting families under pressure to transition to employment, the Mid-Willamette Community Action Agency Head Start program in Salem, Oregon, decided it was important to expand its Head Start services to support full-day, full-year care for children. Because the expansion was aimed at supporting working parents, the program was able to obtain Temporary Assistance to Needy Families (TANF) funding, as well as funding through the Oregon Prekindergarten Program. The combination of funding is sufficient to cover the costs of providing full-day, full-year services consistent with Head Start quality standards.

The program's funding strategy was aided by state policies encouraging collaboration. The Oregon prekindergarten program utilizes Head Start Performance Standards to make it easier for Head Start programs to expand capacity using state prekindergarten funds. In addition, the state Department of Education and the federal Administration for Children and Families have created detailed working agreements to collaborate in funding, monitoring and managing state prekindergarten and federally-funded Head Start services in order to minimize administrative burdens on local agencies.

Contact: Kim Parker, Mid-Willamette Child Care Action Agency, (503) 581.1152.

DECATEGORIZING HEALTH FUNDS TO DELIVER INTEGRATED SERVICES

The Monroe County Health Department in Rochester, New York, decategorized seven funding streams into one Child and Family Health Grant to support the delivery of integrated health services. To reduce administrative burden and fragmentation of services, Health Department administrators negotiated with the state to combine the Early Intervention, Community Health Workers, WIC, Pediatric and Adult Immunizations, Lead Poisoning Prevention, Family Support/Infant Mortality Review, and School Health funding streams into a single grant.

Key to garnering support for decategorization was a shift to accountability for results. State officials were willing to trade off separate and detailed budgets for each of the programs for the establishment of overall goals and the tracking and reporting of outcome data. Decategorization has facilitated integration of services: the Health Department has co-located staff; established a single point of entry and common intake form; and created teams to deliver coordinated services to clients. The administrative benefits are also significant—the county is now responsible for one annual work plan and budget, rather than seven, and uses a single fiscal year for all funding, rather than three separate fiscal years.

Contact: Sandra Berg, Monroe County Health Department, (716) 530.4260.

report them.¹⁹ In most cases, coordinated financing is most effective when additional non-categorical funding is available and can provide the “glue money” to support collaboration and administrative coordination, as well as program components that can not be funded by existing categorical streams.

Family resource centers are the embodiment of comprehensive community support systems. They provide safe, comfortable, neighborhood-based settings for children and families. They are entry points for families with young children to gain access to an array of supports and services—child care, health and nutrition services, parent education and support, literacy training, emergency services, help in gaining access to income supports, Food Stamps, housing subsidies and employability training. Because they provide many different programs and services, family resource centers typically rely on a number of discrete funding sources—federal, state, local and private. They often draw down funding from many categorical sources and tie it together with foundation funding or other flexible support that enables them to finance the critical capacity to provide and coordinate comprehensive care.²⁰

DEVOLUTION. Devolution is a strategy for creating more flexibility in existing funding streams by delegating

the authority for the allocation of funds from higher to lower levels of authority—federal to state or state to county. Typically, devolution occurs at the federal and state level. For example, state programs may allocate portions of a funding stream as block grants to county or city-level governments. Devolving funds gives authority to communities to determine their spending priorities. Typically, it also provides more broadly defined uses or purposes for the funds. Devolution frequently involves trading greater flexibility for local communities to determine how funds will be expended for greater accountability for achieving agreed upon outcomes for children, youth and families.

DECATEGORIZATION. Decategorization is a strategy for creating more flexibility in categorical funding streams by removing narrow eligibility requirements and rules governing allocations from existing funding streams. Usually, decategorization requires state legislative action. In some cases, this formal legislative action comes at the beginning of the reform process and actually creates the public mandate and impetus for changing the service delivery system. In others, it takes place after a significant period of experimentation and institutionalizes new ways of doing business that have developed quietly over a number of years.

By moving decision making to the local level and allowing flexibility in the use of funds previously constrained by categorical restrictions, localities have been able to develop new services for specific populations.²¹ The goals of decategorization are to:

- * emphasize community decision making and planning, rather than state micro-management;
- * move toward more flexible, less narrowly defined services; and
- * create incentives for localities to design less costly community-based services rather than expensive intensive treatment.

Where decategorization has been successfully implemented, as many as 30 separate funding streams have been consolidated and authority for spending has been shifted from state agencies to local governance entities that represent an array of community stakeholders, including the public agencies and private organizations that receive funding. In Iowa, for example, decategorization has been an effective way of creating a continuum of services for children and youth and redirecting funds from institutional services toward community-based programs. By moving decision making to the local level and allowing flexibility in the use of funds previously constrained by categorical restrictions, counties have been able to develop new services for specific populations.²² It is important to stress, however, that this financing strategy does not stand alone. It is part of a broader vision of how the child and youth service system should operate. The financing strategy is a vehicle for driving broader systems reform.²³

CONSIDERATIONS:

- * To successfully explore opportunities for creating more flexibility in categorical funding, local leaders need to work closely with state administrators



and program managers, because this strategy requires state approval, and, in some cases, state administration. Local leaders are likely to be most successful if they approach state officials as a coalition and work in cooperation with other community-based collaboratives, in order to demonstrate the broad applicability and benefit of more flexible funding.

- * Decategorization is difficult to achieve because it typically requires state legislative action. Categorical funding streams often have strong, vocal constituencies that oppose combining programs or weakening programs that direct funding to targeted or designated populations.

Strategy 4: Building Public-Private Partnerships

Another important category of financing strategies that can extend the reach of public sector funding is the creation of public-private partnerships. Partnerships between government, community nonprofit organizations, charitable foundations, corporations and the faith community provide valuable avenues for broadening the base of financial support for community programs and services and for providing new leadership for these initiatives. Although each public-private partnership is unique, effective partnerships share several key characteristics.²¹

- * They bring together representatives—from federal, state or local government entities, business, philanthropy, parents and community organizations—around an agenda of common concern.
- * All partners contribute time, money, expertise or other resources—and find opportunities to gain from the joint endeavor.
- * Partners work together toward common goals or objectives for children, youth and their families.
- * Decision making and management responsibilities are shared among the partners.

Increasingly, effective partnerships are much more mutual, active and ambitious than those of the past. Private sector participation goes well beyond limited financial contributions and includes new leadership and technical support for addressing the needs of children and their families.

ENGAGING PARTNERS TO INCREASE THE AVAILABILITY OF AFTER-SCHOOL PROGRAMS

The Afterschool Alliance is an emerging alliance of public, private and nonprofit groups committed to raising awareness and expanding resources for after-school programs. Initiated and currently coordinated by the Charles Stewart Mott Foundation, the Alliance grew out of a partnership between the Foundation and the U.S. Department of Education. Initial partners of this emerging alliance are the Charles Stewart Mott Foundation, U.S. Department of Education, JCPenney, the Advertising Council, the Entertainment Industry Foundation and the Creative Artists Agency Foundation.

Each partner has committed to help build awareness and expand resources for after-school programs through projects, promotions and ongoing public education. Also, the alliance is dedicated to advocacy on behalf of after-school programs. The combined talents, resources and expertise present in the Afterschool Alliance will make after-school programs an everyday reality for our kids. It is the vision of the Afterschool Alliance that by raising national and local awareness about the importance of after-school programs, all children will have access to quality, affordable after-school programs by 2010.

Contact: Judy Samelson, Afterschool Alliance, (202) 296.9378.

ENGAGING PRIVATE PARTNERS TO BUILD A NEW SCHOOL

The Oyster Public/Private Development Partnership in Washington, D.C., is a project in which a private developer agreed to pay for the construction of a new elementary school in exchange for the opportunity to develop a portion of the school site. In the early 1990s, parents of children attending the Oyster Elementary School, a model bilingual program, began campaigning for capital investments in the school. The 72-year-old Oyster School facility was crumbling and one quarter of the school's students were housed in portable classrooms that were 10 to 20 years old and deteriorating. Oyster's principal and parents were told by city school administrators there were no capital funds to invest in the school. Accordingly, it was put on a list of 40 D.C. public schools to be considered for closure or consolidation.

Mobilized by the threat of closing, the Oyster School community began to seek creative solutions to their facilities needs. The 21st Century School Fund, a local non profit organization focused on school facility financing, recognized that the Oyster School's location on prime real estate in an affluent area in D.C. was an asset that might attract private investors. The fund played an intermediary role between the public and private sectors and engaged the school and surrounding community in the planning efforts. Supported by a planning grant from the Ford Foundation, the 21st Century School Fund conducted a feasibility and market study that determined that financing a school through partnership with a private developer was, in fact, feasible. Presented with the feasibility study, the D.C. Board of Education approved moving forward with a request for proposals. LCOR, Inc., a Maryland-based developer, was selected as the private partner. Through an innovative arrangement, LCOR, Inc. agreed to repay an \$11 million district revenue bond used to finance construction of the new school facility in exchange for the right to build an apartment building on what had been a school field. In return, the district agreed to forgive property taxes, equal to the bond repayment amount, on the new development.

Contact: Mary Filardo, 21st Century School Fund, (202) 745.3745.

LEVERAGING. Through public-private partnerships, community leaders have significant opportunities to expand the fiscal base for family and children's services. Increasingly, many community-based foundations and business leaders, as well as large national corporations and foundations, see early learning, youth development and family support as important and productive investments—ones that have significant pay-off in the quality of life in their communities and in businesses' bottom lines.

Several major, new initiatives launched by private foundations and corporations provide attractive financial opportunities for community groups committed to building community-wide early care and education, health care and family support systems. Also, public and private-sector leaders in a number of communities have begun to work together to create grant and low-cost loan funds. They creatively combine funding from foundations, corporations, community development banks and local government.

Partnerships between government, community nonprofit organizations, charitable foundations, corporations and the faith community provide valuable avenues for broadening the base of financial support for community programs and services and for providing new leadership for these initiatives.

LEADERSHIP. Successful community initiatives require leaders who act as change agents by clearly communicating the goals of community efforts to improve the lives and prospects of children and their families and by building a broad base of support.²⁵ Beyond presenting new opportunities to generate private sector financial support, public-private partnerships create valuable opportunities to build new, shared public-private sector leadership for investments in children and youth. Involvement by business leaders, foundation executives and religious leaders in community initiatives can provide visibility and credibility, which is critical to building a broad base of support. Such leaders can speak out and call attention to the importance of an initiative and significantly influence the behavior of parents, employees, employers and government agencies. Also, their employment policies and practices and their involvement as active community leaders can serve as a convincing model for others.

TECHNICAL ASSISTANCE. Public-private partnerships also create opportunities for sharing knowledge, skills and

technical resources that are needed to create and sustain effective systems of supports and services for children and their families. This can take a variety of forms. In some cases, businesses share their management, information systems and administrative skills to help community partnerships develop the underlying infrastructure. Moreover, they can help organize and coordinate participation from the business community through business commissions, roundtables and blue-ribbon committees.²⁶

Through partnerships, government and community organizations also provide valuable technical assistance to business leaders and community employers. They can connect employers with resource and referral organizations, help employers and business organizations design surveys of community service needs (e.g., for child care and family support services), and develop informational materials and "toolkits" for employers and employees to assist them in gaining access to community programs and services.

SHARING EXPERTISE THROUGH A PUBLIC-PRIVATE PARTNERSHIP

In the early 1990s, low-income parents searching for accredited child care programs in Chicago, Illinois, had to look well beyond their own communities. In 1994, only five accredited programs existed in low-income communities in the city. The Chicago Accreditation Partnership has changed that reality. Today, 136 accredited early childhood programs serve low-income families in Chicago as a result of the work of the Chicago Accreditation Partnership. The partnership is a collaboration between the city of Chicago and a number of foundations that are assisting Head Start and child care programs pursuing accreditation.

The partnership provides funding, technical assistance and professional development opportunities to program participants. Its staff is also working to ensure that low-income children in Chicago receive child care that meets the highest quality standards. The partnership is staffed with 12 full-time employees and subcontracts with three agencies that assist with accreditation facilitation as well. The subcontracted agencies are the Ecumenical Child Care Network, National-Louis University and the Office of Catholic Schools. In addition to providing accreditation facilitation, the partnership is the lead agency for recruiting program participants, processing applications, determining levels of readiness for accreditation, and administering improvement grants for costs associated with accreditation. The partnership also works to create awareness of the importance of quality standards among policymakers, providers and parents, through its public awareness campaign and public policy efforts.

Contact: Jamilah Jordan, The Child Care Accreditation Partnership, (312) 554.1300.

GENERATING COMMUNITY SUPPORT

In January 1998, Homework, Enrichment, Acceleration, Recreation and Teamwork (HEART) Literacy Enrichment After School Program opened its doors in three sites in Tulare County, CA, serving 220 children. For the first two years of operation, the program was funded solely by \$400,000 in new revenue generated from community donations. Board members made personal commitments to the community funders that there would be measurable results. Initial funders included: the local newspaper, hospital, health department, hundreds of individuals, business and local family foundations. Each contributed between \$500 and \$5,000. In-kind donations were also generated from the community. For example, as a result of their board involvement, Kaeweah Delta Health Care District began donating office space and utilities for the administrative offices. Additionally, College of the Sequoias, the local community college, provided staff training and college credit in child development for HEART staff. Local high schools and organizations, such as the Tulare County Bar Association, provide mentoring and programming activities. Also, to ensure that the community felt a stake in the program, all funders were made members of HEART's Community Advisory Committee.

Contact: Laurie Isham, Homework, Enrichment, Acceleration, Recreation and Teamwork Literacy Enrichment After School Program, (559) 741.4882.

CONSIDERATIONS:

- ✱ Thorough planning at the outset of a partnership initiative is well worth the time it requires. It helps avoid mistakes or limit their damage; build and strengthen relationships among partners; maintain focus and keep the big picture in view; and convince funders, politicians, the public and other critical groups of the dedication of the partners and the viability of the initiative.
- ✱ All partners need to be actively involved in defining the goals and agenda of a public-private

partnership for early learning, youth development or community building and development. Collectively defining goals gives all partners ownership and increases the likelihood that they will stay committed over the long run. If all partners are committed to the same goals, they are better equipped to negotiate the inevitable differences of perspective and opinion that arise as they work together. Likewise, if the goals are held firm, the partnership can be flexible in how they are accomplished, which will help the partnership evolve in the face of political, economic or other changes.

- ✱ An effective governance structure is essential for the successful management of the partnership. Effective governance structures define the various roles that partners will play and ensure that all partners understand and accept these roles. Because partnerships involve diverse individuals and organizations working together toward shared goals, partners must agree on how they will work together. Such mutually agreed-upon guidelines can prevent miscommunication and establish a process in which all partners are respected for their unique contributions. Guidelines also provide a mechanism to resolve inevitable differences of opinion.



Strategy 5: Creating New Dedicated Revenue Streams

Finally, an important category of strategies to generate funding for family and children's services is dedicated revenue sources that raise and/or direct public- and private-sector funds for specific purposes.²⁷ These funds can be generated privately at the program level through fundraising, charging fees and taking advantage of opportunities for unrelated business income. Alternately, they can be generated publicly by state and local governments through the creation of special taxing districts, special tax levies, guaranteed expenditure minimums, trust funds and fees or other narrowly based taxes.

FUNDRAISING AND SOLICITATION. At the program level, many community leaders conduct organized com-



munity fundraising campaigns to generate support for their programs and initiatives. These can take a variety of forms from direct mail solicitations to special community social events that entail contributions as a part of the price of admission (e.g., charity auctions, balls and awards dinners). Funds that are raised through these kinds of efforts are generally unencumbered and

sponsoring organizations are free to use them for a variety of purposes. Members of the community are often engaged as volunteers in planning, organizing and implementing fundraising campaigns and special events. Organizations that conduct these activities often find they are an effective way of generating good will and a

An important category of strategies to generate funding for family and children's services is dedicated revenue sources that raise and/or direct public- and private-sector funds for specific purposes.

PARENT FEES FINANCE AN AFTER-SCHOOL PROGRAM

Community leaders and representatives of the school district, city government and Community Education Office in Ankeny, Iowa, determined programming was needed to provide all children with a stimulating and safe environment during the after-school hours. Program developers partnered with the local YMCA to offer Y Child Care, an after school program that serves over 300 children daily in seven sites. Program leaders felt assessing an income based sliding scale fee for the program would provide the most stable and effective funding. Currently, the sliding scale income based fee generates \$556,000, which funds over 90 percent of the program.

Contact: Kevin Koester, Community Education Office,
(515) 965.9606.

broad base of community ownership and support. However, they are extremely labor-intensive, and without active volunteer assistance, they may cost more to undertake than they yield in net contributions. Similarly, the results of fundraising and solicitation are often vulnerable to the ups and downs of local economic conditions and affected by competition for volunteers and contributions from other community organizations and special causes. Business leaders will only buy tables at so many fundraising dinners or place ads in so many auction catalogues or contribute money and in-kind support to so many community events. Accordingly, most community leaders who pursue fundraising and direct solicitation do not rely on it as the sole strategy for funding programs that they want to sustain over time.

CHARGING FEES FOR SERVICES. Some programs charge fees for their services as a way of generating revenue to help cover their costs. Fees for early learning programs, after-school programs, health services or job training courses may be as little as a few dollars per visit or per series of visits, and as much as the "market rate" for services. To be effective, however, fee structures must reflect the community's ability and willingness to pay. If a program sets its fees too high, local families are less likely to participate.

A sliding scale (tied to family income and/or the number of children or other family members enrolled in a program) structures fees based on an individual family's ability to pay. Many child care, health care and family support programs charge families a portion of the costs of the services they receive, based on their ability to pay. In many cases, a sliding scale also can assist parents who are required to make a co-payment to receive a public subsidy.

GENERATING UNRELATED BUSINESS INCOME. Unrelated business income is revenue generated by an activity not substantially related to the mission of the organization or program. For example, it may include rental income from leasing property or facilities to other organizations or programs, profits from the sale of logo items or other goods unrelated to the direct purposes of the program, and fees charged for unrelated service-

GENERATING UNRELATED BUSINESS INCOME THROUGH FACILITY USE

Since 1997, Girls Inc. of New Hampshire has relied on unrelated business income to assist in funding their youth development activities. Program leaders were looking for creative ways to fund their program when they realized their facility was vastly underused (they primarily have program activities during the before and after school hours). They subsequently informed community organizations and youth athletic leagues that their facility space was available to rent in the evenings. Since that time, Girls Inc. of New Hampshire has generated about \$20,000 annually in unrelated business income from the rental fees.

Contact: Cathy Duffy, Girls Inc. of New Hampshire, (603) 882.6256.

FLORIDA'S CHILDREN'S SERVICES SPECIAL TAXING DISTRICTS

The first special taxing district to support children's services was created in Pinellas County, Florida in 1946. The Pinellas County district was authorized by a local bill passed by the state legislature and approved by voters in a county referendum. In 1986, the Florida Legislature passed broad legislation to enable any county to create special taxing districts for children's services. According to legislative guidelines, the local board of county commissioners must officially create the district. The boundaries of the district must coincide with the boundaries of the county and a district board must govern it. Voters in the county must approve a referendum granting the board taxing authority. The board can then levy property taxes not to exceed 50 cents per \$1,000 of assessed valuation. As of 1995, more than two-thirds of Florida counties have such taxing district boards. However, only six of those boards have been granted taxing authority by voters. In fiscal year 1995, those six counties generated almost \$63 million in revenue. In general, 30 percent of revenue is used for training for community residents and service providers, community outreach programs and council administration. The remaining 70 percent of those funds are spent on programs providing direct services for children, including child care. Some of the district boards allocate funds for youth development and delinquency prevention programs. For example, the district board in Palm Beach County allocates 19 percent of funds to out-of-school time activities for children age 6 through 12.

Contact: Jim Mills, Juvenile Welfare Board of Pinellas County, (727) 547.5600, Website: www.jwbpinellas.org.

es (e.g., parking). To use this strategy to generate additional funding, program leaders must evaluate their organization's resources and determine whether any business opportunities exist and whether they are worthwhile to pursue. Though nonprofit organizations do not owe income taxes on revenue that is directly related to their mission, they are liable for taxes on unrelated business income and are taxed at regular corporate rates. Accordingly, before pursuing opportunities to generate additional funding in these ways, program leaders must thoroughly understand the tax implications and assess the organizational and administrative burden of the activities they are considering.

SPECIAL TAXING DISTRICTS. Local governments commonly create special taxing districts, such as water or school districts, which generate revenue from property taxes. Special taxing districts are independent units of local government, separate from county or municipal government. Generally, the creation of special taxing districts requires state authorization and in some cases, approval by local voters. Although the special taxing district may share geographical boundaries with a local unit of government (e.g., counties or cities), the district remains legally and administratively distinct. Revenue

generated by levying additional increments to property taxes through a special taxing district is dedicated to a specific purpose. While special taxing districts are very common, aside from providing funds for public education, they have only been established in a couple of places to fund other services for children and youth.

State and community leaders who are considering the creation of special taxing districts may see them as an attractive way of generating stable and reliable revenues, because property taxes generally are not as volatile or cyclical as income and sales taxes. In addition, once in place, special taxing districts are difficult to eliminate. A local ballot initiative is usually required to repeal authorization for special taxing districts. It is important to remember, however, that special taxing districts produce the most revenue in areas with the highest taxable property values and the least revenue in the poorest communities. How district boundaries are drawn affects the district board's ability to raise necessary revenues and direct benefits to those in need.

Special taxing districts also have the advantage of bringing fiscal decision making closer to the community. Depending on its composition, the district board may

enhance community cohesiveness and provide an effective governance mechanism for improving the coordination of programs and services and allocating public resources more efficiently. In addition, district boards may be able to leverage private resources from local foundations or from the local business community.

The political feasibility of creating new taxing districts will depend on the attitude of local voters toward property taxes and the existence of caps on property tax rates. Depending on local legal requirements, pursuing this approach to creating a dedicated local revenue stream will likely require significant community mobilization efforts. In most communities, advocates will need to conduct a state legislative campaign to pass enabling legislation at the state level and then a local campaign to grant taxing authority.

SPECIAL TAX LEVIES. In addition to creating taxing authorities to raise revenues to support programs and services for families and children, local governments can also increase existing taxes through the implementation of special tax levies. Special tax levies are add-ons to an existing tax, such as property, personal income, sales or business taxes, and result in an increase in the existing tax rate. New revenue gener-

USING EARMARKED FUNDS TO SUPPORT CHILDREN'S PROGRAMS: MEASURE K

Oakland voters overwhelmingly approved Measure K—the Kids First Children's Initiative—in 1996. Measure K requires the city to set aside 2.5 percent of unrestricted general revenues in a children's fund for programs directly serving children and youth. A 19-member Kids First Planning and Oversight Committee directs the distribution of funds to city agencies and nonprofit organizations. In fiscal year 1998, Measure K generated \$5.2 million. During the first grant period, the city council mandated that \$1 million of Kids First funds be set aside for special youth development grants.

Contact: Sara Bedford, City of Oakland,
(510) 238.6794.



ated from the tax increase is then earmarked for specific programs or services.

The stability of revenue generated by a tax levy will differ by tax base. For example, while property tax revenue can fluctuate depending on real estate values and assessment procedures, it is generally fairly stable over time. Attaching a special tax levy to a property tax base may be a particularly good strategy in localities experiencing rapid real estate growth. By comparison, however, taxes with a more volatile base, such as sales and income, can fluctuate widely with changes in economic conditions. In addition, advocates for special tax levies should be mindful of the fairness of the tax upon which they choose to base the levy. For example, some taxes, such as sales taxes, are more regressive than others, such as income taxes. Instituting a special levy based on a regressive tax could place an increased burden on lower-income families and those who are the intended beneficiaries of the new spending.

Like all tax initiatives, the feasibility of special tax levies depends on the local community and political context. For example, several states have instituted tax caps that limit options for the use of a special levy. Other communities may face strong anti-tax sentiments from voters. Depending upon state or local requirements, pursuing this strategy may also require a referendum or

KANSAS CHILDREN'S INITIATIVE FUND

During the 1999 legislative session, the Kansas Legislature created a special trust fund, the Kansas Endowment for Youth Fund, which will consist of the state's share of funds received from the national tobacco settlement. Investment earnings from the Endowment for Youth Fund will provide ongoing financial support for the Children's Initiative Fund. Monies transferred to the Children's Initiative Fund will be used to provide additional funding for programs, projects, improvements, services and other purposes directly or indirectly beneficial to the physical and mental health, welfare, safety and overall well-being of children. In appropriating funds from the Children's Initiative Fund, the Legislature is directed to emphasize programs and services that are outcome-based and that are designed to prevent or stop children from being involved in or with tobacco, drugs, alcohol, juvenile delinquency or violence.

Contact: David Adkins, Kansas House of Representatives, (785) 296.7369.

ballot initiative, which in turn will require a large-scale community mobilization effort.

Finally, although special tax levies are generally regarded as an opportunity to generate new flexible funding for services, the experience of several communities shows that, over time, they may become less flexible. In most cases, if a tax levy is used to support a broad array of services and programs, an oversight board is appointed to determine the allocation of funds among different types of programs and services. This process is typically highly political, and programs that have the most vocal and influential constituencies tend to be most successful in garnering support for their activities. In several cities, officials have found that once these allocation determinations are made, it is very difficult to alter the distribution of funds among programs and providers.

GUARANTEED EXPENDITURE MINIMUMS. A guaranteed expenditure minimum sets a floor below which

spending for specified services or programs cannot fall. An expenditure minimum can be set as a specific dollar amount or an earmarked proportion of funds for specific programs or services. Policymakers can earmark either a revenue stream, such as sales, income, or property tax revenue, or a budget stream, such as the local education or health budget. Unlike special tax levies, which create an add-on to a current tax, guaranteed expenditure minimums provide for the redirection and earmarking of existing revenue.

Typically, creating a guaranteed expenditure minimum requires voter approval through a referendum or ballot initiative. Phase-in periods may be an effective political strategy to increase the chances of

GEORGIA'S SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)

In 1996, Georgia voters approved a measure that gave local school districts the option to levy a 1-cent sales tax for school construction and renovation, to be charged in addition to an existing state sales tax of 4 cents and other local sales taxes. Since that time, almost 90 percent of the school systems in Georgia have proposed at least one SPLOST election and over 92 percent of those proposed have been approved. A district can vote to levy the tax for a maximum of five years, though some districts have implemented the SPLOST for a shorter period of time.

DeKalb County is one district in which the SPLOST has had a significant impact. DeKalb County implemented the SPLOST in 1997 for a period of five years. Since implemented, SPLOST has generated \$241 million for the county. The county is using these revenues to support a major capital improvement project. Eleven new schools will be constructed, classrooms will be added at 25 schools, and multipurpose gyms will be constructed at each of the 78 elementary schools in the county. These multipurpose spaces will be used for after-school and community programs.

Contact: Pat Counts, Georgia Department of Education, (404) 656.2454.

passing a guaranteed expenditure minimum. For example, Proposition J in San Francisco was phased in over a two-year period of time. The set-aside amount in the first year was 1.25 percent. It was then increased to 2.5 percent for years two through nine.

Once a guaranteed expenditure minimum is in place, advocates do not typically have to fight annual budget battles to ensure a baseline of funding for child and youth services. On the down side, however, this baseline may not be flexible enough to respond to changing conditions. Mechanisms for adjusting a guaranteed expenditure minimum over time, such as corrections for inflation or population shifts, will help ensure its long-term usefulness.

Traditionally, guaranteed expenditure minimums not only ensure that a specified amount of funding is available, but also specify how funds will be allocated. In defining such a process, policymakers need to balance protecting a minimum level of funding for a particular service or population and preserving flexibility in allocating new resources.

CHILDREN'S TRUST FUNDS. A trust fund is a separate, designated account in the public treasury that has special rules for managing the funds allocated to it. Local governments have used trust funds to designate support for discrete projects as well as for on-going programs, such as transportation and housing services. Many states have

created children's trust funds, typically to fund child abuse and prevention programs.

All trust funds are governed by a set of guiding principles that direct fund expenditures and describe fund management goals and processes. In some cases, the state treasurer distributes the trust fund monies. In other cases, an appointed board or commission manages the trust fund. In still other cases, the state legislature makes an annual appropriation through the legislative process. Depending on the management goals, all of the monies in a trust fund may be eligible for expenditure, or expenditures may be limited to the interest that accrues on the account. Currently, trust funds are a popular state repository for tobacco settlement funds. Florida, Kansas, Alabama and New Mexico have already established trust funds to receive and disburse tobacco settlement monies for child and youth services; many other states are considering trust funds for this purpose.

Depending on the structure of the trust fund, monies can be contributed from one or a variety of sources. In some cases, public funds from several agencies can be pooled in a trust fund and used to support comprehensive service systems. For example, several children's trust funds provide financial support for child abuse prevention services in conjunction with a broad range of family support services.

DEVELOPER FEES FUND CHILD CARE IN SAN FRANCISCO

The San Francisco City Council established a developer fee in 1985 to address the child care needs of families affected by new development. According to city regulations, any new development or renovation of office or hotel buildings larger than 100,000 square feet must contain a child care center. In lieu of building a child care center, a developer can choose to pay a fee of \$1 per square foot of space. Since their inception, developer fees have generated close to \$2 million. Fees are used to support the city's Affordable Child Care Fund. The Affordable Child Care Fund allocates a portion of the revenue generated by developer fees to the Child Care Facilities Fund (CCFF). The CCFF also receives funds from the city's general revenues, several local banks and private donations. The CCFF provides grants and low-cost financing to nonprofit child care centers and family child care homes to assist with the development, expansion or repair of facilities. The CCFF also provides technical assistance to enhance providers' expertise in facilities management and business management.

Contact: September Jarrett, San Francisco Child Care Facilities Fund, (415) 777.9804.

VIRGINIA CHILD CARE LICENSING FEES

In 1983, the Virginia Legislature established the assessment of annual fees on licensed child care centers and family child care homes. Annual fees are based on licensed capacity and range from \$200 for a large child care center to \$14 for a licensed family child care home. Family child care networks pay an annual combined fee of \$70. Short-term programs, such as summer programs, pay \$25 per year if they serve up to 50 children and \$50 a year if they serve more than that number. Licensing fees from approximately 2,300 centers and 1,200 family child care homes generate \$250,000 per year. Fees are used to support quality improvement efforts, including training workshops and technical assistance materials for licensed child care providers.

Contact: Elizabeth Wheatley Baron, Virginia Department of Social Services, Division of Licensing Programs, (804) 692.1774, Website: www.dss.state.va.us/division/license.

FEES AND NARROWLY BASED TAXES. In addition to broad-based taxes that cover a wide range of economic activity state and local governments can also assess fees and levy narrowly based taxes that are targeted to specific segments of economic activity. Fees can take a number of forms, but are typically structured as payments charged for the use of a service or good.²⁸ Fees

can be charged for the use of a public facility, such as a public park, or for a public service, such as water or sewage services. Fees can also be charged for granting licenses, such as a marriage license or a license to practice certain occupations, including child care. Governments can also charge fees for special services or goods. For example, the state of Washington charges fees for ornate, heirloom birth certificates and transfers revenue generated by the fees to the state's children's trust fund. Fees are voluntary when the user can avoid the fee by not using the service or good. Fees on essential public services, such as water, are obviously less voluntary than fees on nonessential public services.

Fees are typically charged to cover the operating or capital costs of a public service or public facility. For example, fees for driver's licenses typically cover costs such as administering driving tests and processing license applications. Sometimes fees are used to supplement general revenues or support unrelated purposes. However, it is often politically and legally advantageous to link the fee to the service that it funds.

Similarly, narrowly based taxes, such as taxes on ticket sales and cigarettes, place a payment burden on only certain businesses or consumers. Revenue generated from taxes on one type of good or service may, but need not, be used to fund related programs and services. For example, alcohol taxes can be used to fund abuse prevention programs.

MASSACHUSETTS LICENSE PLATES FEES FUND INVESTMENTS IN CHILDREN

The Massachusetts Legislature authorized a specialty "Invest in Children" license plate in 1996. The sale of the license plates generates approximately \$125,000 per year. Revenues support a Child Care Quality Fund. The state Office for Children administers the fund and offers grants to child care organizations. The fund provides financial support for parent/consumer education, equipment and materials, multicultural training and curricula, and technical assistance for program accreditation. Nine other states collect specialty license plate fees that support children's services. The states and the services they fund are: Alabama (education), California (child health and safety), Connecticut (child safety), Florida (education and early intervention), Indiana (Kids First campaign), Louisiana (child safety), Missouri (Children's Trust Fund), Oregon (child abuse prevention), and Tennessee (education).

Contact: Anne Canny Wargo, United Way of Massachusetts Bay, (617) 624.8000.

THE GEORGIA LOTTERY FOR EDUCATION

In 1993, Georgia implemented the Georgia Lottery for Education that provides funds to support the cost of pre-kindergarten and college education for Georgia children and their families. The lottery proceeds may also be used to fund capital projects related to education, such as computers and technology for classrooms. The legislation also requires the lottery funds be used to supplement, not supplant, existing funding for education.

In fiscal year 2000, the lottery proceeds generated \$224 million in funding for pre-kindergarten education, \$235 million for HOPE college scholarships and \$82 million for capital projects.

Contact: Celeste Osborn, Office of School Readiness, (404) 656.5957.

Francisco originally used developer fees to fund child care subsidies. Because of the instability of the funding source, they have since chosen to shift that revenue to support a child care facilities fund that also finances facilities improvements.

Finally, depending on the type of good or service to which a fee or tax is being attached, policymakers and advocates may face significant questions of equity and fairness. Taxes that are regressive place the largest burden on those who are least able to pay (e.g. adding fees for essential public services, such as bus fares and utilities, will hit low-income residents the hardest) and are often politically unpopular for this reason.

LOTTERIES AND GAMING. State governments can use lottery and gaming proceeds to generate new dedicated revenue to support programs and initiatives for children and their families. Thirty-seven states and the District of Columbia operate lottery programs, 13 of which have funds earmarked for education.²⁹ Depending on the goals and scope of the initiative, all or a portion of the lottery and gaming proceeds may be earmarked for the designated purposes.

Using lottery and gaming proceeds to fund initiatives for children and their families requires a change in state law to specify the portion of funds to be earmarked and their allocation.

Like fees and narrowly based taxes, the amount of revenue generated from lottery and gaming proceeds depends on the continued use of the service. Also,

The amount of revenue generated from fees and narrowly based taxes will depend on the continued use of the good, service and/or facility. For nonessential services and facilities, as the fee or tax increases, the use of that service and/or facility will likely decline. For example, revenue generated by cigarette taxes can be expected to decline over time, since the tax discourages the purchase of cigarettes. In addition, because fees and narrowly based taxes target a smaller segment of economic activity than broad-based taxes, they typically generate smaller amounts of revenue. Consequently, fees and narrowly based taxes may be a better option to fund discrete programs, such as training programs or a facilities fund, rather than universal or broad-based services or subsidies.

Depending on the tax or fee base, the amount of revenue generated from some types of fees and narrowly based taxes may be highly volatile in response to economic conditions. For example, revenue from developer fees will fluctuate according to the real estate market. City officials in San



COLORADO QUALITY CHILD CARE INCOME TAX CHECK-OFF

In 1996, the Colorado Legislature authorized a state income tax check-off to fund quality enhancements in child care programs. Taxpayers can make unlimited contributions to the program, through either decreasing their refund or increasing their tax liability. The check-off program generated approximately \$237,000 last year. Check-off funds are funneled into the Quality Child Care Improvement Fund. The fund awards grants of up to \$1,000 to family child care homes and up to \$2,000 to child care centers and school-age care facilities. Grants can be used for training and education of staff, accreditation, and supplies and equipment related to the pursuit of accreditation. The statute allows up to \$10,000 of funds generated to be used for marketing purposes. The Colorado Resource and Referral Agency administers the fund.

Contact: Monica Chaney Clancy, Colorado Office of Resource and Referral, (303) 290.9088.

because it is a nonessential service, participation and proceeds generated may vary significantly based on economic conditions. Some critics object to the use of lotteries and gaming to support education and other family and children's services because disproportionately those who contribute the funds are of low and moderate income, the very people whose children are the intended beneficiaries of the dedicated revenue.

INCOME TAX CHECK-OFFS. In 1972, the federal government began using check-off boxes on income tax returns, to allow taxpayers to designate \$1 of their tax liability to a special presidential campaign fund. States soon followed with their own check-off programs, offering taxpayers the option to contribute to several charitable and social programs. Every state with a broad-based income tax has at least one check-off program.

Check-off programs can be structured in one of two ways. First, the check-off can be used to redirect a portion of the taxpayer's tax liability to specific services. In this case, the taxpayer's liability remains the same and the taxpayer directs a portion of the tax payment to selected programs. The other way that state governments can create check-off programs is to allow taxpayers to decrease their refunds through donations.

One significant consideration is that participation rates in check-off programs tend to be low, thus they generate relatively little revenue. For this reason, they are a better option to fund a discrete piece of an initiative. In addition, the amount of revenue generated by a check-off program may be unstable. Participation rates tend to be highest in the first years of the program and decline over time. Experience shows that marketing campaigns may improve participation rates.

Income tax check-offs may be more politically palatable than other strategies to increase taxes, because contributions are purely voluntary and require little effort by the taxpayers. Local circumstances will dictate the feasibility of check-off programs. Tax check-offs are obviously not an option in the states that do not levy income taxes. However, in addition to states that levy income taxes, municipalities and counties that levy local income taxes may also be able to employ this strategy.

CONSIDERATIONS:

- ✱ Dedicated public revenue strategies are attractive to children's advocates and those who want to create services and programs that will be a part of the fabric of a community for a long period of time. This is because they tend to yield stable and predictable funding over time. They also afford a certain level of protection during

annual appropriation battles because dedicated revenue sources tend to be difficult to cut or eliminate. For example, some dedicated revenue mechanisms can only be repealed through a referendum.

- * Like other new public revenue, funds generated by dedicated revenue mechanisms can be used as a match for other public and private sector funding. For example, these funds can be used to claim reimbursement for administrative expenses (e.g., case management) under the federal Title IV-E program.
- * External factors, such as the economic and political environments, greatly affect the outcome of dedicated local revenue streams. In general, the creation and use of dedicated local revenue streams are more appealing when the local economy is strong and when incomes and property values are rising.
- * With the initiation of dedicated local revenue funding, there is a risk that the new dollars will supplant current state spending. Although authorizing legislation may specifically prohibit using the new funds to offset current spending, the reality is that they may result in a reduction in appropriations if policymakers feel that child and youth services are already sufficiently funded through these new sources. If the dedicated local revenue stream is used to support a broad range of services, an oversight board will likely be needed to determine the allocation of resources.
- * When considering using a special tax levy, fees or narrowly based taxes, one has to ensure the funding stream is fair and equitable. Taxes or fees that are regressive—that place the largest burden on those who are least able to pay, the intended beneficiaries of the new spending—are often politically unpopular.

Conclusion

With increasing pressure at all levels of government to control costs and improve the effectiveness and equity, there will be strong incentives for public officials and community program developers to find more creative ways to finance family and children's services. These will include efforts to be more effective and efficient in raising public revenues and create public-private partnerships to attract private investment. They will also include efforts to focus decisions regarding the allocation of public and private resources on desired results for children, their families and communities.



Despite the urgency that many state and local leaders feel, reforming financing systems will be a slow and incremental process. Changing the ways public and private resources are raised and distributed challenges everyone's special interests—community leaders, public agency officials, service providers and taxpayers. In many cases, children's advocates have been among the staunchest defenders of the status quo. Many service providers, who have come to depend on narrowly defined, categorical program funding, have been reluctant to explore new financing ideas, other than earmarked revenues that can be specifically targeted to their programs. Those who have traditionally depended solely on one public or private funding source are often reluctant to move toward a broader portfolio of funding for their programs and services. Yet the future of community-based family and children's services, and ultimately America's future, will depend in large part on informed, collaborative efforts to create more robust and productive financing strategies that are aligned with the nation's and every community's goals for meeting the needs of its children and their families.

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26. *Ibid.*
27. This section was drawn from two strategy briefs prepared by The Finance Project: Barbara Langford, *Dedicated State and Local Revenue Sources for Early Care and Education*. Washington, DC: Carnegie Corporation and The Finance Project, 2000; and Barbara Langford, *Creating Dedicated State and Local Revenue Sources for Out-of-School Initiatives*. Washington, DC: The Finance Project Strategy Brief, 1999.
28. In the case of many early childhood and out-of-school time programs, as well as family support programs, parents pay fees, typically on a sliding scale. This discussion of fees focuses not on private contributions of parents, but on strategies for creating local public revenue sources to fund services.
29. National Conference of State Legislatures. *Economic and Tourism Development: Lotteries in the United States*. Denver: NCSL. www.ncsl.org/programs/econ/lotto.htm.



About The Finance Project

The Finance Project is a non-profit policy research, technical assistance and information organization created to help improve results for children, families and communities nationwide. Its mission is to support decision making that produces and sustains good results by developing and disseminating information, knowledge, tools and technical assistance for improved policies, programs, and financing strategies. Its work is concentrated in several areas:

- * **Financing issues and strategies** related to education, family and children's services and community building and development;
- * **Results-based decision making**, including planning, budgeting, management and accountability;
- * **Community supports and services** that reach across categorical boundaries and the public and private sectors to effectively link health care, education, family support, income security, economic development and neighborhood revitalization;
- * **Improved governance and collaborative decision making**;
- * Planning and implementation of **comprehensive welfare and workforce development reforms**; and

- * Development of **Internet-based capacities** for sharing critical information on the design and implementation of effective policies and programs.

Established in 1994, The Finance Project is a valuable intellectual and technical resource to policy makers, program developers and community leaders, including state and local officials, foundation executives, academic researches, service providers and advocates who:

- * **Seek creative ideas** for policies, programs and system reforms and effective policy tools to implement them;
- * **Need information about what is occurring elsewhere**, how it is working and why; and
- * **Want practical, hands-on assistance** to advance their reform agenda.

Products and Services

The Finance Project's products and services span a broad continuum from general foundation knowledge about issues and strategies to customized resources and intensive, hands-on technical assistance. They encompass efforts to cumulate knowledge and build the field over time as well as time-sensitive projects to address immediate challenges and opportunities, including:

- * **Knowledge development**—gathering, assembling and analyzing data from numerous sources to advance theory and practice.

- * **Policy tool development**—developing tools and other “how to” materials to support the implementation of promising policies, practices and systems reforms, including financing strategies.
- * **Information brokering**—organizing and presenting research findings, technical assistance tools and information about the implementation of promising policies, programs and practices.
- * **Technical assistance**—providing and coordinating direct assistance to state and local decision makers on the design and implementation of policy, program, and system reform.
- * **Program management**—helping foundation executives manage large, multi-state initiatives by providing and brokering technical assistance to the sites, monitoring their progress and serving as a liaison between the sites and the foundations.

This work is supported by national and regional foundations, federal and state agencies, and community-based organizations.

Publications

The Finance Project develops and disseminates an array of published resources including:

- * **Working papers**—a continuing series of occasional papers that examine the issues and options related to financing education, family and children’s services and community building and development.
- * **Reports and Monographs**—published and unpublished reports and studies of federal, state and local financing and governance issues and strategies, prepared at the request of federal and state government clients, private foundations and other organizations.
- * **Strategy Briefs**—an ongoing series of “how to” briefs that outline innovative financing strategies and considerations for implementing them.
- * **Issue Notes**—a continuing series of short notes on policy choices related to welfare reform and welfare-to-work that summarize relevant

research and information resources and highlight promising practices.

- * **Resource Guides**—published guides to the design and implementation of financing strategies and available funding sources.
- * **Toolkits and Workbooks**—step-by-step guides with sample materials to help users design and implement policy, program and systems reforms that are tailored to their states’ and communities’ needs and priorities.

Web Sites

The Finance Project creates and maintains web sites and extensive Internet-based clearinghouses:

- * **Financeproject.org**—a website that provides up-to-date information on financing issues and innovations, including access to tools and materials developed by The Finance Project and links to other relevant on-line information sources.
- * **Welfareinfo.org**—the most comprehensive, web-based information resource on welfare reform and welfare-to-work topics, with more than 17,000 links to electronic resources, including more than 800 other web sites maintained by federal, state and local governments and national and community-based organizations.

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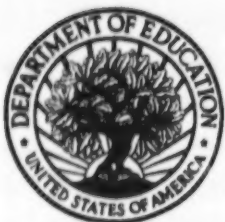
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